

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ISO-00 L-03 COME-00 H-03 CIAE-00 INR-10

NSAE-00 RSC-01 OPIC-12 OMB-01 TAR-02 TRSE-00 SIL-01

LAB-06 STR-08 FTC-01 INT-08 SS-20 SPC-03 NSC-07 IO-14

DRC-01 FEA-02 SCI-06 AGR-20 /151 W

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R 201022Z APR 74

FM AMEMBASSY MOGADISCIO

TO SECSTATE WASHDC 1805

UNCLAS MOGADISCIO 0561

E.O. 11652: N/A

TAGS: EIND EFIN SO

SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: STATE 053993

1. INVESTMENT CLIMATE:

THE CLIMATE FOR U.S. INVESTMENT IN SOMALIA IS POOR AT THE PRESENT TIME, DUE BOTH TO A VERY SMALL AND UNDERDEVELOPED ECONOMY BASED ON LIMITED RESOURCES, AND ALSO TO THE GOVERNMENT'S POLICY OF "SCIENTIFIC SOCIALISM" WITH NATIONALIZATION OF THE MAJOR SECTORS OF INDUSTRY AND COMMERCE.

INVESTORS HAVE NOT OFTEN FOUND ATTRACTIVE POSSIBILITIES IN SOMALIA, WHICH THE U.N. LISTS AS ONE OF THE WORLD'S 25 LEAST DEVELOPED NATIONS. POPULATION IS ESTIMATED AT AROUND 3 MILLION, AND PER CAPITA INCOME AT ABOUT \$70. MARKETS ARE TINY, THE LABOR FORCE LARGELY UNSKILLED, AND THE FEW NATURAL RESOURCES SO FAR DISCOVERED ARE ONLY BEGINNING TO BE EXPLOITED.

THESE PROBLEMS ARE INCREASED BY THE GOVERNMENT'S POLICY OF "SCIENTIFIC SOILS", WHICH HAS LED TO NATIONALIZATION OF THE PRINCIPAL INDUSTRIAL AND COMMERCIAL ENTERPRISES, AS WELL AS TIGHT GOVERNMENT CONTROLS ON REMAINING PRIVATE FIRMS, INCLUDING RESTRICTIONS ON REPATRIATION OF PROFITS AND CAPITAL AND ON

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EMPLOYMENT OF FOREIGN WORKERS. HOWEVER, OFFICIAL GOVERNMENT

STATEMENTS CONTINUE TO MENTION THE POSSIBILITY OF FOREIGN INVESTMENT, USUALLY AS A JOINT VENTURE WITH THE GSDR. IN CERTAIN FIELDS, NOTABLY OIL EXPLORATION, THE GOVERNMENT IS GENUINELY COOPERATING WITH FOREIGN ENTERPRISE.

OIL EXPLORATION IS A SIGNIFICANT EXCEPTION TO THE GENERAL COOLNESS OF THE SOMALI GOVERNMENT TOWARD PRIVATE ENTERPRISE. FOUR OIL CONSORTIA, ALL WITH MAJOR U.S. CAPITAL PARTICIPATION, ARE CURRENTLY EXPLORING FOR OIL IN SOMALIA. OTHER GROUPS HAVE APPLIED FOR CONCESSIONS. AS OF NOW, HOWEVER, NO OIL HAS BEEN FOUND. THUS, THE LOCAL OPERATIONS OF THE CONSORTIA UP TO NOW HAVE CONSTITUTED A ONE-WAY FLOW OF FUNDS INTO SOMALIA.

2. STATISTICAL DATA:

STATISTICAL DATA ON INVESTMENT IS NOT AVAILABLE, BUT SOME COMMENTS MAY BE USEFUL.

A. CURRENTLY THERE IS NO DIRECT U.S. INVESTMENT, AS OPPOSED TO EXPENDITURE, IN SOMALIA. THE FOUR OIL CONSORTIA HVE EXPLORATION CONCESSIONS WITH TIME LIMITS AROUND FOUR YEARS. NO OIL HAS YET BEEN FOUND, AND ACTUAL DRILLING HAS BEEN INFREQUENT IN RECENT YEARS. THE VALUE OF THE CONCESSIONS, IN CASE OIL WERE FOUND, IS VERY HYPOTHETICAL. THE ONLY OTHER RECENT U.S. INVESTMENT IN SOMALIA WAS THE 49 PERCENT INTEREST OF FEARN FOODS OF CHICAGO IN THE SHUT-DOWN PRODMA FISH PROCESSING PLANT AT CHISIMAIO. THIS WAS ACQUIRED BY OPIC IN NOVEMBER, 1973 AS PART OF AN INSURANCE COMPENSATION SETTLEMENT FOR HARASSMENT AMOUNTING TO DE FACTO NATIONALIZATION. OPIC IS CURRENTLY NEGOTIATING FOR A SALE OF THE ASSETS TO THE SOMALI GOVERNMENT.

B. INFORMATION ON FOREIGN INVESTMENTS IN SOMALIA IS VERY LIMITED. AT PRESENT, ITALY IS THE ONLY COUNTRY INVOLVED, ALTHOUGH THERE IS SOME TALK OF PROSPECTIVE JAPANESE PARTICIPATION ON A MODEST SCALE IN ONE OR MORE FISHING ENTERPRISES. AS FOR ITALY, BANANA PLANTATIONS BESIDE SOMALIA'S TWO RIVERS ARE THE MOST VALUABLE ITALIAN INVESTMENTS IN THE COUNTRY, BUT THEIR BOOK VALUE IS UNKNOWN. IN ADDITION, THERE ARE ITALIAN-OWNED FACTORIES WHICH PROCESS FISH AND MEAT FOR EXPORT, AND ONE WHICH MAKES PACKING BOXES FOR BANANAS. ALITALIA OWNS 49 PERCENT OF SOMALI AIRLINES. IMPORTANT FORMER ITALIAN COMPANY, AND TWO BANKS, HAVE BEEN NATIONALIZED SINCE THE 1969 REVOLUTION.

C. THE EMBASSY KNOWS OF NO DIRECT SOMALI INVESTMENT IN THE U.S.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, FOREIGN INVESTMENTS, INVESTMENT DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 20 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MOGADI00561
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740093-0046
From: MOGADISCIO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740427/aaaaaxln.tel
Line Count: 108
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: STATE 053993
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 05 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 SEP 2002 by BryanSD>; APPROVED <26 DEC 2002 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOREIGN INVESTMENT CLIMATE AND STATISTICS
TAGS: EIND, EFIN, SO
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005